

SECRET

DPS-3649
Copy 1 of 1

29 August 1958

MEMORANDUM FOR THE RECORD

SUBJECT: Pricing Formula
HF-CT-696
Audit Report #193, 15 August 1958

25X1 1. Discussed the subject audit report with [redacted] The
25X1 Contract Administrator, [redacted] of Hycon stated that the
proposed rates per hour were proposed at $\frac{1}{2}$ to 1% above the present
average hourly rate. In Grade I at \$3.12 per hr. he stated that
six of their 7 men in this category were presently receiving \$3.09 per
hour. The reason for this proposal was that the company felt that a
large quantity of orders would be priced in the period 1 July 1958
through 31 December 1958 but that labor on a substantial number of
orders would be performed during the period beginning 1 January 1959.

2. In view of the comments in paragraph 5.a. regarding over-
head and the fact that the Navy contracts mentioned in paragraph 6
would cover a 2 year period it was felt that the pricing formula was
acceptable for the period 1 July 1958 through 31 December 1958.

25X1 3. The matter was discussed with [redacted] and the rate per
25X1 hour was discussed. He felt that they could not reduce this to their
actual average. Therefore we countered with allowing only $9\frac{1}{2}\%$ or 10%
for profit. [redacted] checked with Hycon's management and they
agreed to a 10% profit factor. Therefore, the pricing formula was
accepted as proposed except for reducing the profit from 11.1% to 10%
of total manufacturing cost.

25X1 [redacted]
Contract Negotiator

CONCUR:

25X1 [redacted]
25X1 Contracting Officer

SECRET